

Part 1 – Annual Budget

1.1 Executive Mayor's Report

In his State of the Nation Address the President of the Republic the Honorable Mr. Matamela Cyril Ramaphosa recommitted the country to economic growth, job creation, clean government and infrastructure development. He further committed his government to realize the National Development Plan objectives. He further reiterated the commencement of the new dawn and the fourth industrial revolution. The use of ITC to advance development is key to the success of our country. He further reiterated the pursuit of inclusive growth and social development through enhanced technology.

Premier of the Eastern Cape said in his State of the Province address indicated that, "Our success moving into the new term of government will be determined by the active participation and involvement of citizens of this Province in the programs of government. We cannot be spectators in the struggle for our own emancipation". The municipality must do everything in its power to spearhead mechanisms to address service delivery backlogs.

Mbhashe Local Municipality is one of the areas with high unemployment and illiteracy rate in the Amathole area of jurisdiction. The municipality is predominantly rural with high levels of poverty. Higher unemployment and poverty lead to an increased demand for municipal services, however the municipality is committed in reducing the high levels of unemployment and poverty. The municipality is also facing a burden of huge infrastructure backlogs. In terms of the financial resources the municipality is largely depended on grant funding, which constitutes 92% of our total budget and the remaining 8% being own revenue. Therefore the municipality has a relatively small tax base and it is critical that the municipality reviews its Revenue Enhancement Strategy so as to expand its revenue sources.

In the past couple of years the world economy has gone through its deepest recession with the country being downgraded in junk status by the rating agencies. Economists have already cautioned of a recession, but of course that is still under speculation. Mbhashe Local Municipality is no way immune to the harsh economic realities associated with the recession and the downgrading, therefore we must be very conservative in utilizing our limited resources. The municipality has undergone some tough economic conditions in the previous financial years, among the impacts are the serious cash flow challenges that were experienced by the municipality during the 2017/18 financial year. However, the municipality was able to recover from that situation. We had to implement some innovative mechanisms in order to overcome our financial challenges ranging from having engagement sessions with our property owners to offering them settlement discounts and making arrangements. This has yielded positive results as businesses, government department and other residents have stated settling their accounts. This has improved our collection rate.

Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms. In this IDP and Budget the municipality emphasizes that, we need to utilize our limited resources efficiently and effectively. We are now entering our 4th year of the five year IDP that was approved in 2016/17 to end in 2022. The preparation of this budget has taken into account the guidance of Circular

93 and 94. We have observed that the municipality is struggling in terms of generating revenue from its own revenue sources.

A major contributing factor was the declining collection rate coupled with historic poor expenditure patterns and a general lack of doing business smarter and accelerating service delivery. The key focus areas for the 2019/20 budget process have been the grants allocations, continued compliance with the Municipal Standard Charts of Accounts (*mSCOA*) and training of municipal officials on the *mSCOA*. The municipality has now fully implemented *mSCOA* starting from budgeting up to reporting. *mSCOA* has also assisted the municipality in terms of improved planning and managing its financial resources.

A total budget of R373m for 2019/20 has been adopted by council and it is with great comfort to reaffirm that the municipality has a funded budget. The 2019/20 financial year is the fourth year of the Fourth Generation of the IDP. The adherence to the IDP and Budget Process Plan has resulted in the adoption of the reviewed IDP and Budget together with the budget related policies. We are clear of the local government mandate as per the Constitution and we have made a political and administrative decision to ensure that we move the municipality from one level to the next.

In implementing this 2019/20 budget it is pivotal for the executive to exercise its oversight role through monitoring and evaluation. The executive must monitor and evaluate the work done by the administration and hold them accountable where necessary. This will ensure that the municipality delivers on its core function, which is service delivery, but to say the least there was great improvement during the 2018/19 financial year, but there is still room for more improvement. In responding to the infrastructure backlog, the municipality has allocated R74m to towards infrastructure development and this is largely funded by the Municipal Infrastructure Grant. In addition the municipality will utilize its plant machinery for roads maintenance, which is also a huge cry from our communities.

The personnel budget of the municipality constitutes 39% the operational budget and this within the recommend norm of up to 40% as set out by National Treasury guidelines. As way of creating sustainable jobs and implementing the projects as set out in the IDP, the municipality is in the process of filling all vacancies that exist in our organogram in the next two years. For personnel cost we have budgeted an amount of R146m for the 2019/20 financial year. With this budget the municipality will ensure that its employees are empowered and capacitated in order to implement programs of the council.

In order for all this to succeed, the executive must ensure that there is stability both politically and administratively within the municipality. We have a functional council and it needs to improve its oversight and accountability. We have oversight committees that are doing well like Audit Committee, Performance Audit Committee and Municipal Public Accounts Committee. These committees should always be critical and provide informed advices to Council for better decision-making.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within Mphashe Municipality.

I thank you

